

Message Text

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SUBJECT: DIFFICULTIES WITH MILITARY SALES TO AUSTRIA

1. BEGIN SUMMARY: MISHANDLING IN WASHINGTON OF AUSTRIAN ATTEMPT TO BUY MILITARY RADIOS IN UNITED STATES VIA FOREIGN MILITARY SALES (FMS) ADVERSELY AFFECTS OUR EFFORTS TO IMPROVE AUSTRIA'S DEFENSE CAPABILITY AND BUILD LINKS WITH AUSTRIAN MILITARY THROUGH SALES OF US EQUIPMENT. RADIO ORDER IS NOW APPARENTLY BACK ON TRACK BUT EMBASSY WISHES ALERT DEPARTMENT SO THAT FURTHER DELAY IN DELIVERY CAN BE AVOIDED THROUGH TIMELY INTERVENTION, IF THAT IS NECESSARY. PROBLEM INVOLVES LEGISLATIVELY-MANDATED MILITARY PROCUREMENT PRACTICES AND INTEREST OF SENATORS KENNEDY AND BROOKE. END SUMMARY.

2. AUSTRIAN MINISTRY OF DEFENSE (A/MOD) IN AUGUST 1974 ASKED EMBASSY SECURITY ASSISTANCE OFFICE (SAO) FOR LETTER OF OFFER ON SALE THROUGH FMS OF 500 AN/PRC-77 MILITARY RADIOS. IN MAY 1975 US ARMY INTERNATIONAL LOGISTICS COMMAND (USAILCOM) REPLIED THAT RADIOS WERE AVAILABLE THROUGH COMMERCIAL CHANNELS, BUT AGREED IN JUNE TO ALLOW A/MOD TO BUY VIA FMS PROVIDED AUSTRIANS DESIGNATE "SOLE LIMITED OFFICIAL USE

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SOURCE" OF SUPPLY. AUSTRIANS DESIGNATED BRISTOL ELECTRONICS, INC., WERE QUOTED UNIT PRICE OF \$1,059 IN OCTOBER, AND SIGNED LETTER OF OFFER IN DECEMBER FOR DELIVERY OF RADIOS IN MARCH 1978.

3. ALMOST TWO YEARS LATER, IN JULY 1977, USAILCOM INFORMED AUSTRIANS THAT PROCUREMENT ORDER HAD NOT YET BEEN PLACED.

AFTER PERSONAL ASSURANCES OF COMMANDER USAILCOM THAT THEIR ORDER WOULD BE GIVEN HIGHEST PRIORITY, AUSTRIANS AGREED IN SEPTEMBER TO ACCEPT BEST OFFER WITH FASTEST DELIVERY IN SPITE OF INDICATIONS OF UNSPECIFIED PRICE INCREASE AND DELIVERY DELAY.

4. IN NOVEMBER 1977 USAILCOM INFORMED AUSTRIANS OF 27 PERCENT PRICE INCREASE AND ADDITIONAL 14-MONTH DELIVERY DELAY. (SAO MEANWHILE LEARNED THAT SENATORS KENNEDY AND BROOKE -- IN WHOSE STATE BRISTOL ELECTRONICS IS LOCATED -- HAD CHARGED US ARMY WITH UNETHICAL PROCUREMENT PRACTICES WITH RESPECT TO AUSTRIAN ORDER.) IN DECEMBER, USAILCOM OFFERED AUSTRIANS CHOICE OF ACCEPTING CURRENT OFFER OR OF DECLINING OFFER WITHOUT CANCELLATION CHARGE. IN SHIFT FROM JUNE 1975 POSITION, USAILCOM ALSO INFORMED A/MOD THAT IT COULD ALTERNATIVELY REQUEST A NEW FMS CASE WITH COMPETITIVE BIDDING RATHER THAN "SOLE SOURCE" DESIGNATION, BUT IN THAT EVENT PRICE AND DELIVERY TERMS COULD NOT BE GUARANTEED. AUSTRIANS THEN AGREED TO ACCEPT CURRENT OFFER IF SOME ACCEPTABLE ALTERNATIVE WITH COMPETITIVE BIDDING COULD NOT BE FOUND. MEANWHILE, A/MOD PROVIDED SAO WITH COPY OF OCTOBER 17, 1977, US ARMY ELECTRONICS COMMAND NEWSLETTER WHICH STATED ARMY HAD AWARDED BRISTOL ELECTRONICS A CONTRACT FOR 11,158 RADIOS LIKE THOSE AUSTRIANS HAD ORDERED, BUT AT ABOUT ONE-THIRD (\$563) THE UNIT PRICE AUSTRIA WAS OFFERED. THIS INFORMATION NOTWITHSTANDING, USAILCOM INSISTED ON ACCEPTANCE OF LIMITED OFFICIAL USE

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PREVIOUS OFFER OR CANCELLATION OF CASE. A/MOD RELUCTANTLY ACCEPTED OFFER ON DECEMBER 19, 1977.

5. EMBASSY APPRECIATES THAT US MILITARY PROCUREMENT PROGRAMS ARE SUBJECT TO LEGISLATION AND REGULATIONS WHICH MAKE PROGRAMS VULNERABLE TO VARIETY OF COMPLICATIONS. HOWEVER, IF SUCH COMPLICATIONS ARE NOT COPEDED WITH IN EFFICIENT MANNER, IF FURTHER DELAY IN DELIVERY OF THIS ORDER IS NOT AVOIDED, AND IF EMBASSY IS UNABLE TO ASSURE AUSTRIANS THAT FUTURE ORDERS WILL BE HANDLED EXPEDITIOUSLY, EMBASSY EFFORTS TO PROMOTE USG OBJECTIVES OF IMPROVED AUSTRIAN DEFENSE CAPABILITY AND CLOSEST POSSIBLE US-AUSTRIAN MILITARY LINKS THROUGH AUSTRIAN USE OF US EQUIPMENT FACE PROSPECT OF SERIOUS COMPROMISE. AS A/MOD PROCUREMENT OFFICIAL TOLD SAO, HIS OFFICE'S FIGHT TO BUY FROM US -- WHERE FMS HAS PROVIDED BEST (AND OFTEN, ONLY POSSIBLE) DEALS BECAUSE OF AUSTRIAN BUDGETARY AND POLITICAL CONSTRAINTS -- IS BEING UNDERMINED BY DEVELOPMENTS AS DESCRIBED ABOVE. HE SAID A/MOD IF FORCED, FOR EXAMPLE, TO BUY ADDITIONAL 1,500 TO 2,000 RADIOS NEEDED VIA COMMERCIAL SALES, WOULD PURCHASE FROM EUROPEAN FIRMS BECAUSE THIS WOULD BE LESS TROUBLE, FASTER AND

CHEAPER.

6. EMBASSY REQUESTS DEPARTMENT TO MONITOR CLOSELY CURRENT
A/MOD ORDER FOR RADIOS AND TO INITIATE TIMELY ACTION AS
NECESSARY TO PRECLUDE ANY ADDITIONAL DELAY IN DELIVERY.
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